

CAFTA-DR Facts

The United States and Dominican Congresses recently approved the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR). The agreement will greatly expand the bilateral trade between the participating countries; it will also allow for greater access for U.S. exports into the region. The member states of CAFTA-DR, combined, already constitute the 10th largest market for U.S. exports in the world. In 2004, the United States exported nearly \$16 billion of manufactured goods to the region, of which 27% was exported to the Dominican Republic; the largest market among the CAFTA-DR partners. The United States exports 56% of all Dominican imports and enjoys a market share of over 70% in consumer goods imports into the Dominican Republic.



CAFTA-DR is expected to be implemented on January 1, 2006. However, the CAFTA-DR partners that have ratified or approved the agreement must formally agree on an implementation date. The U.S. Chamber of Commerce estimates that upon implementation of the CAFTA-DR, US exports to the region could grow by 20% in the first year. When implemented, CAFTA-DR provides for the immediate elimination of tariffs on 80% of all manufactured goods exported from the United States. Customs duties on the remaining 20% of products will be phased out over the next five to fifteen years. In addition, the CAFTA-DR will require each member country to take steps to improve government transparency, customs procedures and the protection of foreign investments.

Under the CAFTA-DR, US imports into the Dominican Republic have been classified by categories. Each category provides for the elimination of customs duties in different stages. Some products will enter the Dominican Republic duty-free on the date the agreement enters into force, while others will receive gradual reductions on the customs duties. Most of the products in the air conditioning and refrigeration equipment sector have been categorized within the groups A, B, and M. An explanation of these categories follows:

Category A:

Duties on goods under this category will be eliminated entirely on the date the agreement enters into force.

Category B:



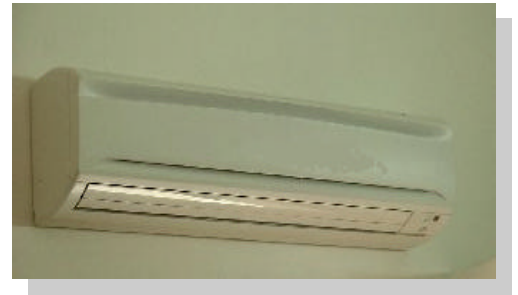
Duties on goods in this category will be removed in five equal annual stages beginning on the date the agreement enters into force and will be duty-free effective January 1 of year five.

Category M:

Duties of goods in category M will be removed in ten stages. On the date the agreement enters into force, duties will be reduced by two percent of the base rate, and by an additional two percent of the base rate on January 1 of year two.



On January 1 of year three, duties will be reduced by an additional eight percent of the base rate, and by an additional eight percent of the base rate each year thereafter through year six. On January 1 of year seven, duties will be reduced by an additional 16 percent of the base rate, and by an additional 16 percent of the base rate each year thereafter through year nine, and these products will receive a full duty-free treatment effective January 1 of year ten.



For the products included under each category please refer to the attached list.

It should be noted that the benefits of CAFTA-DR are for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, will not receive duty-free treatment even if it is imported from the United States.

Another important benefit of the CAFTA-DR is that several other taxes and fees levied on American products exported to the Dominican Republic will be eliminated. These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, a 16% ITBIS tax (value added tax on industrialized goods and services) is required to be applied to most products sold in the Dominican Republic. As a result of the elimination of these taxes, the prices of air conditioners and refrigerators are expected to decline, while imports from the United States are expected to increase.

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CAFTA-DR Air Conditioning and Refrigeration Equipment HS Codes - Dominican Republic

Category A	
HS Code	Description
841510	Wind or wall air-conditioners (self-contained)
841581	Air-conditioning, including refrigeration and valve for reverse cool/heat, non/self-contained
	Air-conditioning
	remote controled, excluding year round units
	excluding year round units





Category A	
HS Code	Description
841582	Water chillers room fan coil units for use with central station air handlers used with room, control stat a/c units used with Dehumidifiers incorporating a refrigerating unit
841583	Condensing units <17.58 Kw/hr >17.58 Kw/hr without refrigerating unit Heat exchangers without refrigerating unit Air- conditioning machines without refrigerating unit
841590	Air-conditioning machine parts
841810	Refrigerator-freezer combo fitted with separate external doors (compression type)
841821	Household refrigerators (compression type)
841861	Ice-making machines Self-contained, cube, flake, capacity <=227Kg Drinking water coolers (refrigerated, self-contained) Soda fountain, beer dispensing equipment (refrigerated) Finned coil compression type heat exchangers Centrifugal liquid chilling refrigerating units (open type/hermetic) Reciprocating liquid chilling refrigerating units Refrigerator/freezer equipment Heat exchangers (compression)
841869	Absorption liquid chilling units
841899	Refrigerator condensing units Parts of refrigerator-freezer (separate external doors, household) Parts of refrigerators, freezers and other refrigerating-freezing equipment





Category B	
841822	Household refrigerators Absorption, electrical
Category M	
HS Code	Description
41830	Freezers Chest type, <800 lt
41840	Upright, <900 lt
41850	Freezing display counters, cabinets and showcases Refrigerating display counters, cabinets and showcases
41891	Furniture designed to receive refrigerating or freezing equipment

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